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NUMBER 31-64

The Prospects for India

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# NATIONAL INTELLIGENCE ESTIMATE

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## The Prospects for India

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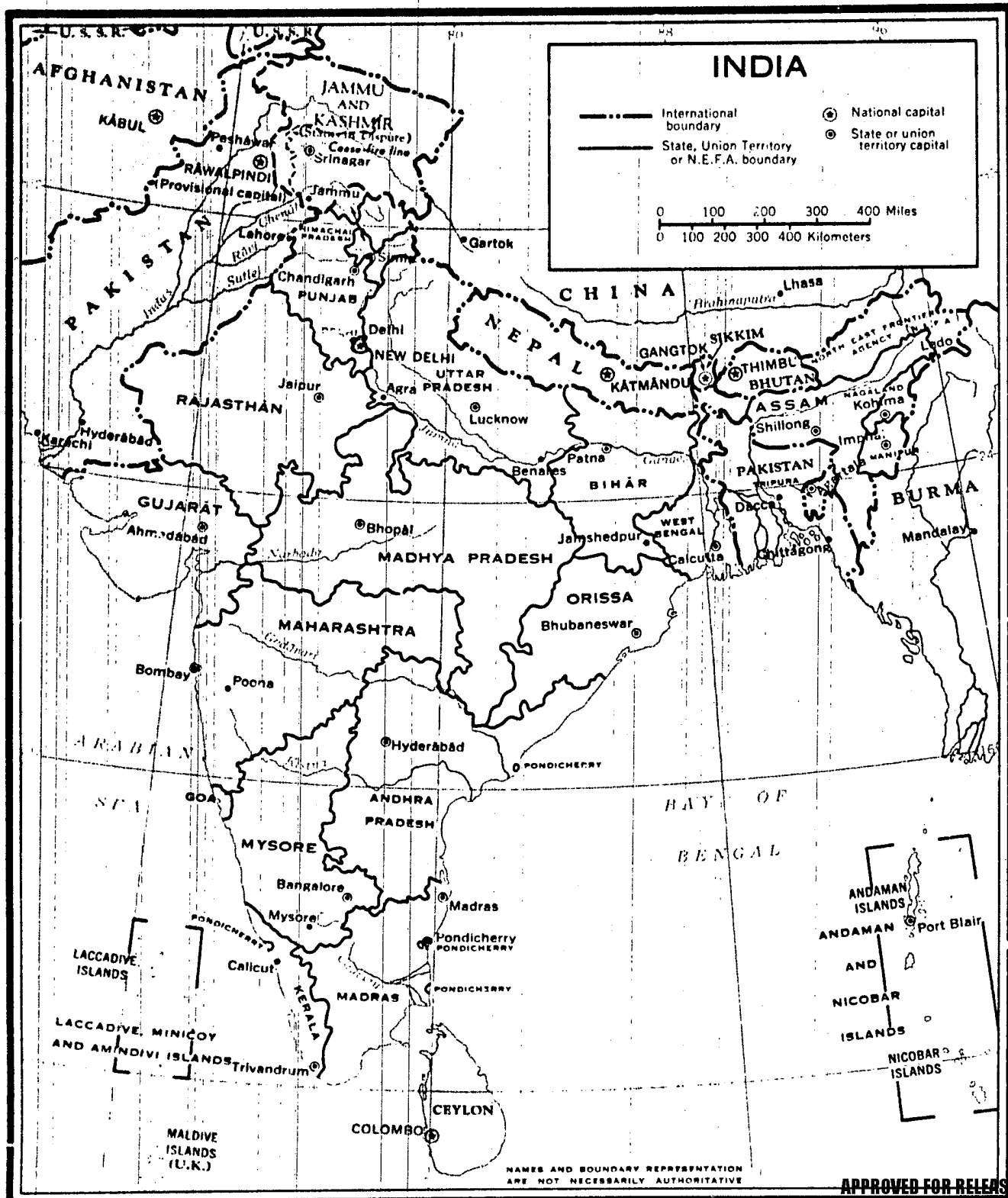
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## THE PROSPECTS FOR INDIA

### THE PROBLEM

To estimate probable developments in India during the next three to four years.

### CONCLUSIONS

A. India has survived the experience of the loss of Nehru with considerable initial success. We cannot yet be certain about [REDACTED]

[REDACTED] Prime Minister Shastri's leadership. [REDACTED] thus far he has governed primarily by compromise and consensus. But in past posts he proved himself a generally effective leader, and we believe that he will gradually exert a firmer control. In domestic policy, he is unlikely to depart substantially from Nehru's line, though in practice his socialism may prove more flexible and pragmatic. (Paras. 1-2, 5, 13-15)

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B. The Congress Party, now led by a coalition of state leaders, will probably provide India with stable and orderly government for the next several years. However, continued jockeying for power between the center and the states, as well as strains within the central government itself, are likely at times to generate indecision and inefficiency. Prospects for Congress unity would be clouded were Shastri to depart from the scene in the near future, but the Congress leadership could probably agree on a successor. There are no effective nationwide opposition parties, and in the 1967 elections Congress will probably continue in its dominant position at the national level and in all but one or two states. (Paras. 4, 6, 8-12, 18)

C. The pace of economic growth has slowed considerably during the past three years. In particular, agriculture has shown no increase in output. Industrial growth has been better, and industrial production is likely to grow by 40 to 50 percent during the Third Five-Year

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Plan (1961-1966). Over the five year period, GNP, instead of rising by the planned 30 percent, will probably increase by no more than 18 to 20 percent, or about the same amount it increased during each of the first two plans. The still tentative Fourth Five-Year Plan (1966-1971) sets forth even more ambitious goals, including much larger investments in the agricultural sector. India is unlikely to achieve these goals, though food grain production will probably increase significantly by the late 1960s. In any case, increased foreign aid will be needed, as import requirements and debt servicing charges will rise faster than exports. (Paras. 19-31)

D. The Shastri government's foreign policies will probably be less concerned with broad international questions and more devoted to specific issues involving India's self interest. India will continue its policy of nonalignment, which in recent years has come to be focused on the need for support from both the US and USSR in the confrontation with Communist China. Between India and China, we foresee neither a general settlement nor an outbreak of major fighting. A pre-requisite of any substantial easing of Indo-Pakistani tensions is a settlement of the Kashmir dispute, and of this there is no early prospect. However, major hostilities between the two countries are not likely, and some specific problems may be resolved. India will devote more attention than in the past to its other neighbors, seeking to reduce possible Communist Chinese influence. In the nonaligned world as a whole, India will probably play a generally moderating, but on the whole less influential, role than it did in earlier years. (Paras. 32-42)

E. India's leaders want armed forces capable of containing both Pakistan and Communist China and to this end have sharply increased defense spending under a \$10-12 billion Five-Year Defense Plan (1964-1969). This, combined with military aid from the US, the USSR, and the UK, is enabling India to further expand and modernize its forces, but the plan is likely to take seven years to complete. Though the army still suffers from deficiencies of leadership and training, its combat effectiveness is improving and it could probably overwhelm its smaller Pakistani foe. While the Chinese would initially have the advantage of terrain in any conflict, the Indian army could probably stop a Chinese invasion before it reached the plains. (Paras. 43-49)

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F. India has the capability for developing nuclear weapons, and the government is under considerable domestic pressure to do so. We believe that at a minimum India will continue to build up its nuclear capability, and this will enable it to start a weapons program promptly after a decision to do so. Whether the Indians decide to do so will depend on such questions as the cost of a nuclear weapons program and of a delivery system, the pace and scope of the Chinese program, and the importance the Indians attach to assurances from the US and other nuclear powers. (Paras. 50-51)

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## DISCUSSION

### I. INTRODUCTION

1. The death of Prime Minister Nehru and the need to choose his successor came at a time when India's forward momentum had slowed considerably. During the first 15 years after independence, India under Nehru had a record of outstanding accomplishments. The shock of partition was overcome, a working democratic system was established, and a stable political order was achieved. The aspirations and energies of a growing proportion of Indians were focused on economic development and social modernization, and the standard of living slowly but steadily improved. Nehru himself became a leading spokesman for the underdeveloped world, and his philosophy of non-alignment was accepted by most newly independent countries. Since early 1962, however, the impressive progress of earlier years had been less in evidence. The pace of economic growth had slowed, and the Third Five-Year Plan was in serious difficulty. India's defeat by Communist China in the border fighting had demonstrated the country's weakness and led to a major military build-up which further strained the nation's resources. Finally, Nehru's declining health and vigor reduced the effectiveness of his leadership.

2. Even in his final years, Nehru retained such a dominant position that his death came as a great shock to India. In these circumstances, the peaceful and orderly selection of Lal Bahadur Shastri by the Congress Party as India's new Prime Minister was a remarkable political achievement. Building on the traditions left by the British, Nehru had developed a political system based on the principles of constitutional and parliamentary democracy and the rule of law. This system has now passed its first major test.

3. Despite the smooth transition, the new leaders face formidable problems. Divisive regional loyalties persist and could be intensified by struggles for power between New Delhi and the state governments. India's adherence to archaic traditions and to its still rigid caste system constitute major obstacles to progress. Hindu-Muslim antagonisms in India have not been alleviated, and relations with Pakistan remain strained. Despite earlier achievements of the economic development program, India has failed to maintain a satisfactory growth rate. In particular, the recent failure of food production to keep pace with India's rampant population, which is growing by some 10 million a year, is creating serious difficulties.

### II. POLITICAL SITUATION

#### The Congress Party

4. During much of Nehru's tenure as prime minister, he dominated both the Congress parliamentary delegation and the party organization. Though the 21-member Congress Working Committee theoretically had nearly absolute

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authority over such matters as how Congress legislators should vote or who could stand for office, it did not exercise this authority fully. Since Nehru's death, the key leaders of the Working Committee have been able to assert the power of the party organization. These leaders and the Working Committee itself derive their strength from a nationwide machine, the backbone of which are the local leaders of the rural areas where 80 percent of the population lives. They are for the most part Hindus from locally dominant castes and are largely responsive to local parochial interests. Hence, though nearly all of them recognize the need to develop the country and to improve the lot of the nation's impoverished masses, they have not generally favored sweeping programs of social change and tend to be conservative on economic issues.

5. Effective authority at the national level in India is now being exercised by a loosely organized group of party leaders, generally known as the "syndicate." At its head is Prime Minister Shastri. Shastri, a moderate socialist, was for long one of Nehru's trusted lieutenants. Next most important in the syndicate is Party President K. Kamaraj Nadar, the long time Chief Minister and party leader of Madras State. Kamaraj is a peculiar combination of social reformer and ruthless political boss. Shastri has served ably in a number of positions in the past, including the key post of Home Minister, and later as *de facto* Prime Minister during Nehru's last illness. His achievements in recent years in reconciling opposing forces and averting crises in India, and his general popularity in the party contributed to an initial feeling of optimism in India about his prospects for becoming an effective Prime Minister. However, he suffered a heart attack soon after assuming office, and by the time he returned to work he was faced with a food crisis which was India's most serious in over a decade. [REDACTED]

[REDACTED] On occasion, he appears to have been either unable or unwilling to exert forceful leadership, preferring to go to considerable lengths to try to develop a consensus among his colleagues before taking any action. Accordingly, he has been accused of weakness and vacillation. On the other hand, Shastri has shown he has the ability to take firm positions, as when he secured a party resolution against making nuclear weapons and when he agreed to a politically unpopular treaty with Ceylon.

6. In addition to Shastri and Kamaraj, other members of the syndicate are Minister of Heavy Industry Sanjeeva Reddi, leader of Andhra Pradesh; Minister of Railways S. K. Patil of Bombay; and Atulya Ghosh, political boss of West Bengal. This group was successful in asserting its authority over the Congress Party members of Parliament and pushing through the election of Shastri. Since the election, the new leadership has strengthened its hold on the party, and has removed from office a number of rival state and local leaders. One of the group's greatest assets is the fact that it appears to reflect the political and economic outlook of most of the middle of the road local party leaders throughout India. Nevertheless, its control is far from absolute and it faces difficult political problems in a number of states, notably Kashmir, Kerala, Orissa, and Uttar Pradesh.

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7. Despite the currently strong position of the syndicate, a fair amount of opposition to it remains in the party. The Congress "right"—led by former Finance Minister Moraji Desai, who originally contested the succession with Shastri—differs from the dominant centrists in being more influenced by the tenets of Hindu orthodoxy, and is more conservative on economic and social issues. Desai is also a prime exponent of a hard line on Kashmir. The "left"—associated with former Ministers V. K. Krishna Menon and K. D. Malaviya—is more heavily represented than is justified by its popular following, due to the sympathetic attitude shown it by Nehru who often shared its doctrinaire socialist views. The "left" has greater strength in the Party's parliamentary delegation than in the local and state organizations.

#### Opposition Parties

8. The position of the Congress, which in 1962 captured about three-quarters of the approximately 500 parliamentary seats with only 45 percent of the popular vote, has been strengthened by the fact that there is no effective nationwide opposition party. The *United Socialist Party* (SSP) was recently formed by a merger of two smaller socialist parties which together got nine percent of the vote and 18 parliamentary seats in 1962. While it has some appeal to urban intellectuals and trade unionists, it offers little alternative to the Congress. Moreover, a number of former socialist leaders and groups have refused to join the new party and some have joined the Congress. The *Swatantra Party* on the right received seven percent of the vote in 1962 and got 22 seats but has long been troubled by conflicts between its urban conservative elements and its reliance on feudal leadership in the rural areas. It too has suffered defections to the Congress.

9. The strongest challenges to the Congress come from groups appealing primarily to local or communal grievances. The *Jan Sangh*, a militantly nationalist Hindu Party, has gained some strength in North India, partly because of its strong leadership and discipline, but also because of its anti-Muslim stance and its emphasis on Hindi as the national language. Conversely, these attributes give it less appeal in the rest of the country. The *Dravidia Munnetra Kazhagam* (DMK), a Tamil Nationalist Party, poses a threat to the Congress only in Madras. The *Akali Dal*, representing Sikh interests in the Punjab, is declining due to internal disputes. A number of minor parties, many of them leftist-oriented, and a sizeable group of independents have helped to scatter the vote, but have little impact on the national political scene.

10. The *Communist Party of India* (CPI), which in 1962 won about 10 percent of the vote, and got 29 Parliamentary seats has been weakened by the suspicion in which it has been held since the Chinese attack and by its subsequent split into two separate parties. Although the fragmentation of authority in the international Communist movement contributed to the split, its more fundamental causes were personal conflicts and such longstanding doctrinal differences as the question of what attitude the CPI should take towards the "national bourgeois" Congress Party. The left-wing Communists deny the revolutionary potential of the Con-

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gress and advocate an agitational and even revolutionary stance in Indian policies. The rightists, who have preserved a distinctly pro-Russian orientation, are willing to cooperate with leftist elements in the Congress and hope that in the course of time they will come to power with support from the non-Communist left. The right wing Communist Party retains the support of the important front organizations, including the influential All India Trade Union Congress, and controls most of the party machinery at both the central and state levels. The leftists, however, have their greatest strength in those states where communism is strongest: West Bengal, Kerala, and Andhra Pradesh.

### Political Outlook

11. India's prospects for stable and orderly government during the period of this estimate are good. The Congress Party is firmly in control nationally and, until its recent split in Kerala, controlled all the states as well. The new government's claim to be the legitimate heir of the Gandhi-Nehru tradition seems to be generally accepted, and it probably will be able to retain the support of most of the country's political leaders at the national, state, and local levels. Shastri will benefit by the feeling of most party leaders that any attempt to remove him would have unfavorable repercussions in the 1967 general elections. However, frictions are likely between the Congress parliamentary group—which increased its influence during Nehru's last years—and the party leadership. Moreover, the leaders of the syndicate are ambitious men who will not only seek to preserve the position of the group as a whole but will compete with one another for power. Such maneuvering for position could go so far as to lead to a breakup of the syndicate itself. However, generally satisfactory divisions of power have been worked out so far, and we think the leaders' recognition of their mutual dependence will keep them together.

12. The syndicate will also find it difficult to exert continued forceful political leadership over the state parties and governments. Factional infighting within a number of states will continue to erupt in struggles for power and will significantly limit the effectiveness of those governments. Party discipline will at times be difficult to enforce at both the national and state levels. This kind of difficulty was demonstrated in October 1964, when the chief ministers of the states unanimously rejected the prime minister's request to impose food rationing. Continued jockeying for power between the center and the states, as well as strains within the central government itself, are likely at times to generate indecision and inefficiency. However, barring breakup of the syndicate, the state party units are not likely to try to divorce themselves from central direction. The underlying spirit of cooperative effort between center and state which has been built up over many years will probably persist. Though the new national government lacks the force and prestige of its predecessor, it should be able to retain adequate authority over the smaller units of the federal system.

13. An additional factor of uncertainty is the health of Shastri. He is 60 years old, has had at least one heart attack prior to taking office, and another soon after becoming prime minister. He has since resumed a full and arduous

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schedule. Given his age, his medical record, and his heavy responsibilities, his long term tenure cannot be taken for granted. If a successor to Shastri had to be chosen in the near future, it might be a difficult and discordant process. The tactic of "developing a consensus" among the Congress parliamentary members—employed by Kamaraj, to put across Shastri's nomination—might well be objected to by those who acquiesced in it the first time around. These quarrels could reduce the stability and effectiveness of whatever government emerged.

14. Lacking Nehru's prestige and personal authority, Shastri has shown an inclination—indeed, he has been required by political realities—to seek the agreement and consensus of those involved before making government decisions. He seems to be attempting slowly to increase his authority and control, but it is still too early to make any confident prediction that he will be successful. However, in view of his record of generally effective leadership in previous posts and some of the actions he has already taken as prime minister, we believe that he will gradually assert a greater degree of control as he builds up his own personal stature and authority in the party and the government.

15. The Shastri government will probably make no sharp break with Nehru's policies for some time. Although also committed to socialism, Shastri has shown a willingness to be more flexible and pragmatic. While he may improve his government's administrative effectiveness at the very top, by permitting his subordinates more latitude in decision making (particularly in the economic planning field), improvement throughout the massive bureaucratic apparatus must necessarily be slow. The new government's implementation of its policies may be inefficient by American standards and it may be subjected to increasing public criticism. Nevertheless, it will probably continue to be acceptable to the great mass of the Indian people as it has in the past.

16. A variety of other domestic problems will demand the government's attention. Communal violence is likely to flare up sporadically. Food prices have risen sharply during the past year and have caused a marked decline in the living standards in some areas. The resulting discontent has led to food riots, which are likely to recur when shortages are acute. However, the government—using the military if necessary—almost certainly will be able to keep such disturbances within tolerable limits. New Delhi will also face challenges from the many quasi-autonomous and potentially rebellious tribal groups in the Northeast Frontier Agency. Despite the use of some 40,000 troops, the central government has been unable to pacify Nagaland. Unless it is successful in reaching an agreement with the Naga rebels, Nagaland will represent a political embarrassment as well as some burden on men and resources.

17. The political situation and outlook in Kerala are gloomy. The Congress Party has split. The main body has lost its political allies, and has little chance of winning a legislative majority in the February 1965 election. There is a good chance, however, that the two rival Communist parties, along with some of the other parties in opposition to the Congress, will form a common electoral alliance. Such a group, if formed, might win, but even so, it will probably be

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unable to stay united for long after the elections. In any case, effective elected government in Kerala will be unlikely for the next several years, and rule by the central government may well continue.

18. The national elections scheduled for early 1967 will come increasingly to occupy India's attention. Despite the possibility of renewed food shortages or other economic setbacks, the activities of opposition parties, and its own internal weaknesses, we believe that Congress will retain its dominant position both at the national level and in most of the states. Although Congress' popular vote may be further reduced, it is unlikely that any effective national opposition party will develop by 1967. While the two wings of the Communist Party may cooperate on specific occasions and may form electoral alliances, we do not believe they will pose a serious threat to the Congress in the foreseeable future. The communal and sectional parties, particularly the Jan Sangh and the DMK, may increase in strength. Indeed, they might capture control of one or more states if their Congress rivals in those areas become seriously weakened by factional infighting. In this event, the difficulties of the central government would be increased, but we think it unlikely that this would undermine India's basic political stability.

### III. ECONOMIC AFFAIRS

#### The Current Situation

19. The pace of economic growth during the Third Five-Year Plan (1961-1966) has been considerably slower than that achieved under earlier plans. As against a planned increase in national income of five to six percent annually, the actual rate was only about 2.5 percent in each of the first two years of the plan, and about four percent in the third year. Population has increased by nearly 2.5 percent annually, so per capita income has hardly advanced at all, and unemployment and underemployment have increased. Even the modest rate of growth achieved has been dependent on utilization of over \$1 billion in foreign aid a year—exclusive of PL 480.<sup>1</sup> The repayment of these debts is already a problem and will become an increasing one. Moreover, greatly expanded defense requirements are placing a further burden on resources.

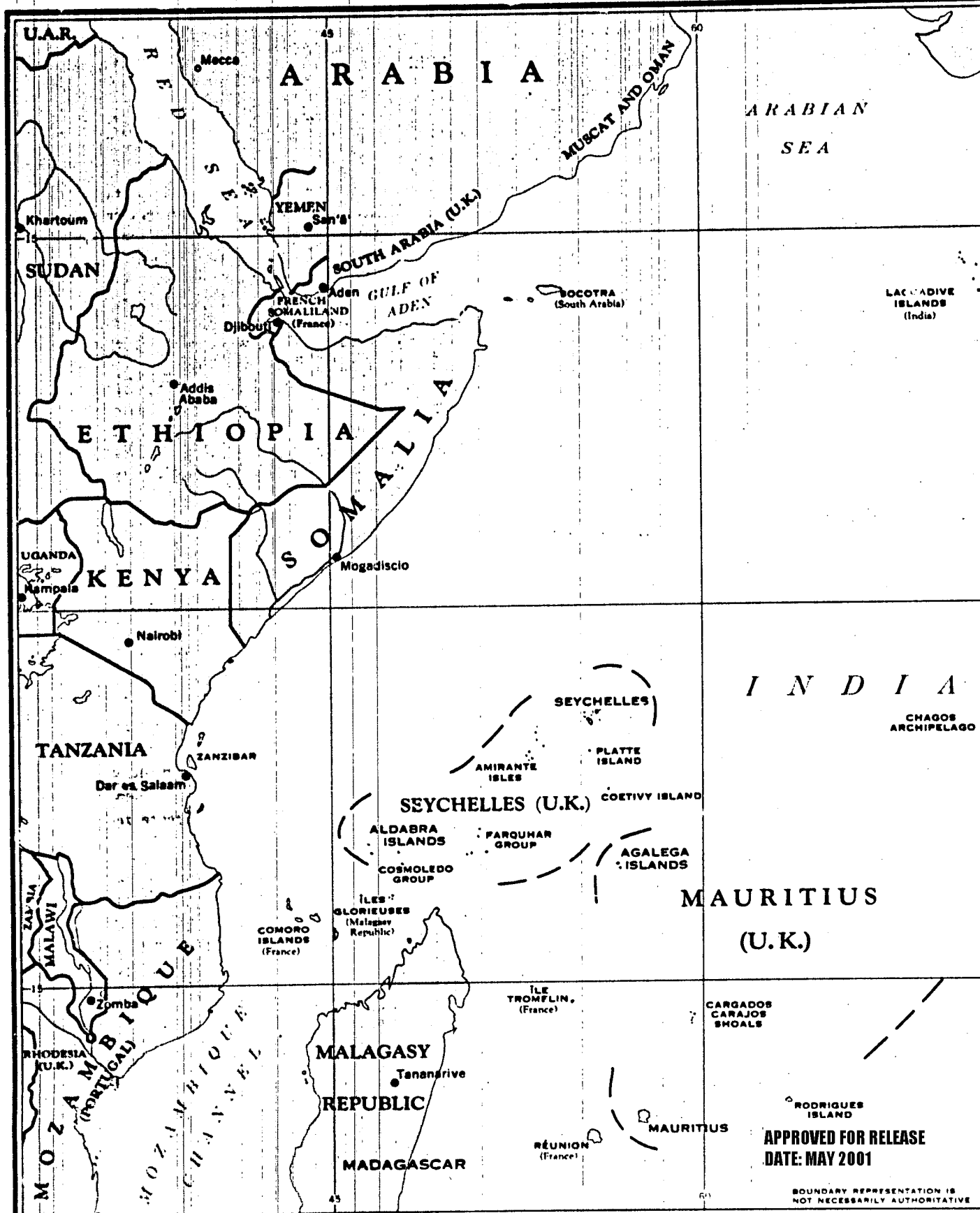
20. India's outstanding economic problem has been the failure of agriculture to achieve any increase in output for the past three years. Since agricultural production makes up about 45 percent of national income, failure in this sector considerably limits the gains from fairly rapid industrial growth. Despite record imports of food grains in the current year (expected to be six million tons),<sup>2</sup> there has been a sharp increase in food prices, due to the static level of domestic

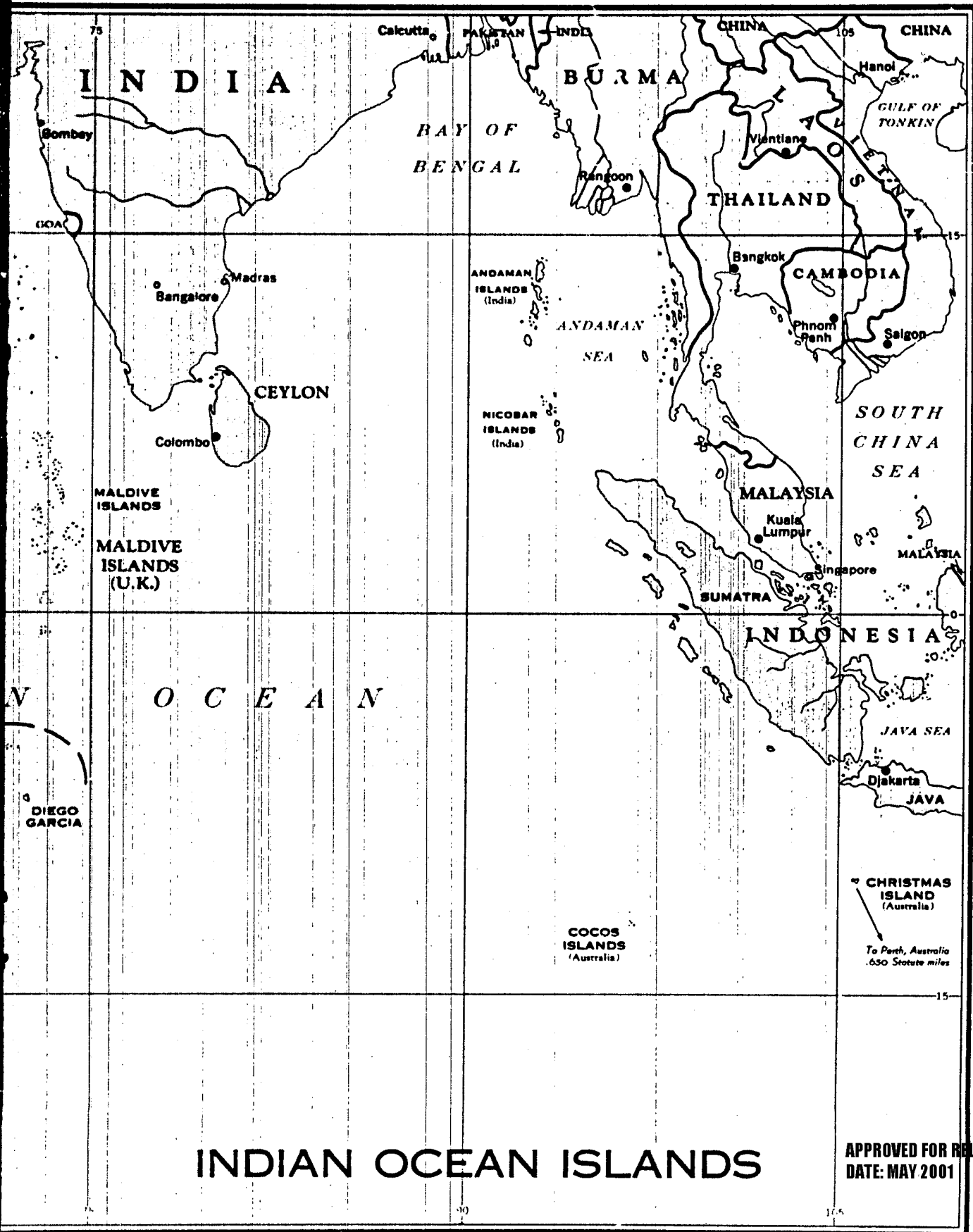
<sup>1</sup> The US and other members of the Aid-to-India Consortium have provided about \$1 billion a year of this aid, and the USSR and East European Communist nations have provided about \$100 million a year.

<sup>2</sup> The great bulk of this consists of wheat from the US under PL-480, and represents approximately 15-20 percent of US wheat production.

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production, the annual population increase of about ten million, the expanded money supply, and bureaucratic inadequacies in food distribution controls. In the period July 1963-June 1964, the prices of principal food grains rose 17 percent on a national average and as much as 100 percent in some places. Prices have since continued to rise sharply, stimulated by hoarding on the part of dealers and consumers. The government's various attempts to apply price control and antihoarding measures have not been effective.

21. Agriculture. stagnation during the Third Plan is in sharp contrast to the record from 1951 to 1961, when production increased by 40 percent. The current shortfalls are due to several factors. Weather conditions—particularly during the past two years—have been generally adverse, and agriculture is heavily dependent on the monsoons. Roughly half of the increase in agricultural output from 1951 to 1961 was apparently due to an increase in the amount of land cultivated, and India is running out of unused cultivable land. Accordingly, future gains now depend heavily on the ability to increase productivity, which is presently about as low as anywhere in the world. Although the government has recently attempted to stimulate agricultural production, it is making only slow progress in its efforts to overcome the Indian peasant's inertia, traditionalism, and fear of the unknown, and in inducing him to adopt new techniques. Moreover, responsibility for agricultural matters is divided among a plethora of overlapping central, state, and local organizations. Finally, the use of chemical fertilizers, while steadily increasing, is still very modest in relation to the country's needs.

22. The record of the industrial sector has been better, but it too has not reached planned goals. Industrial growth has averaged between eight and ten percent per year, instead of the 12 percent envisaged in the Third Plan. To some extent this shortfall was the result of power and transportation shortages in the early years of the plan, and these have now been largely overcome. However, the shortage of foreign exchange has limited the import of materials needed for the maintenance and operation of much of the industrial plant. This, together with an overvalued rupee, has hampered the country's attempts to export manufactures and to substitute domestically produced goods for imports. During the 1950s, private foreign investment provided important stimulus to Indian industrial growth, and such investment is continuing, though at levels well below current Indian hopes. However, repatriation of profits and other withdrawals are currently resulting in a net outflow of about \$10 million annually in foreign exchange on the investment account.

23. The Indian economy is under additional strain from rising defense expenditures. Under the present Five-Year Defense Plan (1964-1969), the government envisions an outlay of some \$10-12 billion, including \$1.4 billion in foreign exchange. Total expenditures are now more than double those budgeted before the Chinese attack in October 1962, and four times the level of ten years previously. Besides leading to heavier taxation and reduced availability of consumer goods, the defense buildup means that some foreign exchange will not be

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available for the economic development program. Moreover, a part of new defense needs have been met by increased deficit financing, which has contributed further to inflationary pressures.

24. The pace of India's economic development has been slowed by a number of other factors: the limited supply of top rank administrative, managerial, and technical talents; the complicated web of bureaucratic regulations and controls; the private sector's current lack of confidence as reflected in its recent reluctance to invest in large scale industrial enterprises.

#### **Economic Outlook**

25. The final record of the Third Plan will be a mixed one. Investment in the public sector will be greater than originally planned, but because of rising prices probably will provide at most about 85-90 percent of the construction scheduled. The private sector, which surpassed its investment goals in the first two plans, is currently burdened with higher taxes and excessive government controls, and probably will achieve only about 80 percent of its investment target. While most industrial goals will not be reached, industrial production is likely to grow by 40-50 percent over the five years, and impressive gains will be made in a number of industries. With a good harvest likely, GNP probably will rise by four or five percent in the fourth year of the plan. Over the entire five-year period, GNP is likely to increase by about 18 to 20 percent instead of the planned 30 percent, or only a six to eight percent per capita increase.

26. As a result of the difficulties and strains experienced in recent years, and the advent of a new government, some changes in Indian economic thinking and policy are occurring. Even before Nehru's death, the government had begun to rely somewhat more on the market mechanism, eliminating a few controls and simplifying others that were inhibiting the public as well as the private sector. The Shastri government, while less doctrinaire than its predecessor, is basically committed to a socialist pattern of development. It will continue to rely upon the public sector as the driving force in economic development, and will not hesitate to impose controls on the private sector when believed to be necessary. Shastri is seeking more rapidly maturing projects with an emphasis on providing more widespread employment and greater production of consumer goods. His government probably will also place greater emphasis on utilizing idle capacity, on the expansion of existing plants rather than building new ones, and on attracting private foreign investment.

27. However, bureaucratic opposition as well as inertia will be serious obstacles to any movement toward decontrol. The less buoyant state of the economy and the higher taxes of recent years will also make it difficult for the Indian business community to seize what it recognizes as a welcome opportunity. Despite the official desire for greater private foreign investment, it seems unlikely that the Indians will change present laws and regulations sufficiently to attract large amounts of private foreign capital. Finally, if inflationary pressures continue strong, the government will be under growing political pressure to adopt new

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controls to combat hoarding and profiteering—particularly in food grains—which will further burden the civil service and be difficult to reconcile with the movement toward decontrol. All things considered, however, we believe that under the Shastri government a moderate shift to greater realism in economic policy will occur.

28. The Fourth Five-Year Plan (1966-1971) is still being formulated. Preliminary indications are that it will call for total expenditures of about \$45 billion—nearly double those of the Third Plan. Agricultural production will probably be expected to rise annually by five to six percent and industrial growth by about 12 percent, thus producing an overall average rate of economic growth of six to seven percent.

29. These targets almost certainly will not be achieved. Like the original Third Plan, the Fourth appears to underestimate costs and the time required to bring new plants into production, and to gloss over the inability of the administrative apparatus to carry out so extensive a program. India will also have extreme difficulty raising the domestic resources for such a large plan, as the only people not already heavily burdened with taxes—aside from the many who evade them—are the prosperous farmers who form the backbone of the Congress Party. Moreover, a plan of this size would require a substantial increase in the level of foreign aid to cover both anticipated deficits in current account and the rapidly increasing debt servicing requirements; the latter will call for some \$2.5 to \$3.0 billion in foreign exchange during the Fourth Plan, about double the amount required during the Third Plan. While exports have increased at a rate faster than imports in the recent past, this has been due in part to larger sales to the USSR, to the limited availability of free foreign exchange to finance imports, and to the expanded export promotion efforts of the government. There is almost no likelihood that foreign exchange earnings will increase enough to meet the requirements for import demands and debt servicing. Hence, India is likely to seek some further softening of the terms of future loans and credits, as well as renegotiation of present commitments.

30. Under the Fourth Plan agriculture will probably receive increased attention. Efforts to provide incentives to peasants will probably be along the lines of the price supports recently adopted. There will be more emphasis on fertilizer factories, improved and expanded irrigation projects, and rural extension services. Increased attention will probably be given to the need of India's peasants for better credit and marketing facilities. These measures are likely to show results in increasing food production by the end of the Fourth Plan. However, at least in the early years of the Fourth Plan, agricultural production is likely to increase little if any faster than population growth.

31. Given a continued high level of foreign aid, the rate of growth through the rest of this decade is likely to average about four percent annually. The inability of the Indians to increase their growth rate despite successively higher levels of investment—which now amount to 16 to 18 percent of GNP annually—is an indication of the failure of India's economic policies to take full advantage

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of the resources devoted to economic development. Moreover, basic obstacles to a higher rate of growth are deep seated and will change only slowly. In particular, India's efforts at population control are unlikely to have more than a limited effect for many years, and the growing population will continue to absorb much of the nation's production increases. Nonetheless, the deeply rooted apathy of the mass of Indians acts as a brake against dissatisfaction with the party in power. Thus, while most of India's basic economic problems will persist throughout this decade, and some may become more acute, they are unlikely to place the country's political system in jeopardy.

#### IV. FOREIGN AFFAIRS

32. India's size, population, and relative political sophistication make it a significant factor in world affairs. Nehru himself, however, possessed a degree of international influence that no successor is likely to command. In any case, Shastri and his colleagues will probably devote less attention to foreign policy, preferring to concentrate on domestic issues, though this change is likely to be a matter of emphasis rather than a withdrawal from an active role in world affairs. The new leadership will have difficulty in enlisting the domestic support which almost automatically accrued to most of Nehru's foreign policies, simply because they were his, and Shastri could not jettison the fundamentals of Nehru's policies even should he want to. There is, however, some indication that he is approaching international problems with a fresh perspective and is reassessing India's national interests in new terms. The change in leadership and the Chinese challenge have already tended to make Indian foreign policy less rigid and doctrinaire, with greater attention devoted to specific national interests.

33. Nonalignment was the hallmark of Nehru's foreign policy, and this is the element that his successors would find most difficult to change, even if they so desired. In fact, Shastri and his government have repeatedly reaffirmed their commitment to it. Originally, nonalignment meant the maintenance of India's independence by dissociation from the great power blocs. The Chinese attack of 1962 appeared to undermine this premise of nonalignment. However, the Sino-Indian outbreak coincided with the Sino-Soviet conflict, so that Soviet political and military support to India, as well as economic assistance, appeared to parallel that which was forthcoming from the US, and enabled India to maintain her equilibrium between the two superpowers. In addition, this Indian technique of drawing support from both sides in the cold war has paid off handsomely in substantial economic assistance and is widely accepted by public opinion.

34. The maintenance of this equilibrium will be India's major foreign policy concern for some time to come. India's most immediate fear will be that a Sino-Soviet rapprochement following the change in Russian leadership could weaken or disrupt Moscow's support of India. This fear has been heightened by allegations that one reason for Khrushchev's fall was his favored treatment of India during the Sino-Indian border fighting. At least until the views of the new Soviet leaders towards China and India become clear, India will be extremely

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careful to avoid doing anything which would antagonize the USSR. India is also anxious to maintain Soviet support on the Kashmir issue. While a radical shift in Soviet policy would cause India to reassess its nonalignment, and would probably lead to closer relations with the West, such a Soviet shift now appears unlikely. Rather, we believe that Moscow, which, along with the East European countries, has already committed over \$1 billion<sup>a</sup> in economic aid to India, will continue its support of New Delhi as a major Asian counterweight to Peiping.

35. Indian relations with the US will continue to be based on a broad area of shared interests. India's present leaders are probably somewhat better disposed toward the US and the West than was Nehru; however, given a continuation of present Soviet policy, we doubt that any considerable changes toward a greater pro-Western orientation will take place. The feeling that the new Labor Government in the UK shares India's socialist aims will make for somewhat closer ties between the two countries. Continued membership in the British Commonwealth is now axiomatic and generally accepted in India, and there are no significant forces likely to bring about withdrawal. New Delhi will also continue to be well disposed towards West Germany and the other West European nations which are contributors of economic aid.

36. Anti-Chinese feelings are still running high in India, and prospects for improvements in Sino-Indian relations appear slight. New Delhi has recently repeated its acceptance of the proposals of the Colombo conference of 1962 and is unlikely to offer, on its own, any further concessions. The Chinese, on the other hand, have reiterated their refusal to accept those proposals as anything more than a basis for mutual discussions. However, should the new Soviet leadership seek to conciliate the Chinese and urge the Indians to do likewise, India might feel compelled to make some concessions, if only to retain its close association with Moscow. Even if this occurred, or if the Chinese relinquished their border claims (which we consider most unlikely), basic hostility between India and China would almost certainly persist. However, the renewal of large-scale fighting in the border areas is unlikely unless China became so involved in northern Burma, Nepal, Sikkim, or Bhutan that the Indians felt obliged to take forceful measures to counteract Chinese influence.

37. In the past year, India's relationship with Pakistan has entered a new and somewhat ambivalent phase. Tensions have increased as a result of Karachi's closer relationship with Communist China and its alarm at India's military buildup. The situation has been made yet more inflammable by recent unrest in Kashmir, the rise in incidents along the cease-fire line, the eviction of Muslims from Eastern India, and the flight of Hindus from East Pakistan. On the other hand, Nehru, in his last weeks, showed greater interest in improving

<sup>a</sup> This represents 20 percent of the total economic aid extended by the USSR and Eastern Europe to underdeveloped countries.

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relations with Pakistan, and Shastri has continued to give evidence of a conciliatory approach and a desire for rapprochement.

38. The most abrasive and intractable issue between the two countries is the problem of Kashmir, and no settlement is possible unless India yields part of its position there. Yet Shastri, even were he prepared to make such concessions, would be hamstrung by the fact that both the left wing—the Communists and the Congress “left”—and the right wing groups, ranging from the Congress “right” through the Hindu communalists, would vigorously oppose them. Pakistan’s President Ayub, while aware of the cost of Indo-Pakistan hostility, is convinced that the present Indian leaders cannot or will not make concessions on Kashmir. Thus the odds are still against any fundamental improvement in relations between the two states in the next few years. Nevertheless, while continued mutual intransigence may precipitate new crises, the two countries will probably remain well aware of the need to prevent the outbreak of major hostilities, and may be able to settle specific problems between them as they have in the past.

39. Until the facade of cordial Sino-Indian relations began to collapse after 1959, Pakistan had been the only significant area of conflict in Indian foreign relations. Thus India had been able to concern itself primarily with broad international issues and to pay comparatively little attention to local affairs in Asia. In his later years, Nehru had already begun to devote more attention to India’s immediate neighbors, and the post-Nehru leadership has intensified these efforts. Generous concessions to Burma and Ceylon have been made on long-standing disputes concerning the status of Indian nationals in those countries. Attempts to improve relations with Nepal were begun at the time of the Chinese attack in 1962 and are likely to continue. Elsewhere along the strategic northern frontier, Indian concern with Bhutan and Sikkim has been intensified. We believe that the Indians will continue to devote a substantial part of their attention to their neighbors in an effort to solidify their position in South Asia and to reduce possible Communist Chinese influence.

40. A similar shift is taking place in India’s relations with its fellow Afro-Asian powers. Where Nehru was himself a major and significant leader of the non-aligned states, his successors possess considerably less stature and influence. While India’s size and power will ensure its remaining an important member of the nonaligned bloc, India as a nation can no longer assume it is automatically a dominant leader in that group. It must now compete with the Chinese and to some extent the Pakistanis for following and influence. Its efforts along these lines have not always been successful, as many countries have preferred to take no position in these disputes. Few of the new African states perceive common interests with India, and some have large Indian minorities which are hated and distrusted. The more radical policies pursued by Indonesia and some of the emerging countries have also undercut Indian influence. Over the next few years, we believe that India will play a generally moderating, but on the whole less influential, role in the nonaligned world, while at the same time trying to retain its traditional Afro-Asian, anti-colonialist, anti-imperialist credentials.

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41. India's initial reaction to the proposed setting up of US/UK military facilities on several islands in the Indian Ocean<sup>4</sup> has been guarded, lest it appear to support resurgent Western imperialism in Asia. Other Afro-Asian nations might make a major issue—in the UN and elsewhere—of these facilities. If this occurs, India would probably feel compelled—to satisfy both Afro-Asian and domestic opinion—to join in opposition to those facilities, at least in public.

42. New Delhi will continue to play an active and a moderating role in the UN, and will bend its energies to keep the organization functioning. However, it will probably, in its efforts to keep its good relations with the USSR, support the latter's position on nonpayment of such special assessments as that for the Congo peace-keeping mission. At the same time, the Shastri government is less likely than in the past to participate in ventures requiring the Indian Government to contribute troops to peacekeeping forces. India will probably continue to support Chinese Communist representation in the UN—professing the belief that membership in the world body would act as a restraint on Peiping. We do not, however, expect it to resume its pre-1962 role as an enthusiastic sponsor of the Chinese Communist regime.

## V. MILITARY AFFAIRS

### India's Military Buildup

43. India's leaders want armed forces capable of containing both Pakistan and Communist China. A sharp increase in defense spending and recruitment during the past two years has significantly expanded the Indian military establishment, particularly the army, which is now the fourth largest in the world.<sup>5</sup> At first India's political and military leaders relied heavily on increased manpower and more modern weapons to improve military capabilities. More recently, programs have been at least initiated to test new training, organization, and tactical concepts, emphasizing mountain warfare. Considerable emphasis is being placed on procuring and producing greater quantities of more modern weapons and equipment. Transportation and communications facilities—particularly along the Chinese border—are being sharply improved. Nevertheless, in view of present and prospective obstacles, proposed goals of the Five-Year Defense Plan (1964-1969) probably will take about seven years to meet.

44. The military buildup has been made possible by large-scale assistance from both the US and the USSR, and to a lesser extent from the UK. Most American military aid has been for the Indian army. India is now counting on US aid during the next five years at an annual level of 50 million dollars in grants and

<sup>4</sup> A map of the Indian Ocean appears between pages 9 and 10.

<sup>5</sup> The Five-Year Defense Plan calls for an army of 825,000, organized into 20 divisions and 11 independent brigades. However, this has already been exceeded, as the army presently includes 922,000 with 20 divisions, 20 independent brigades, and 115 battalion-size combat-type units. The air force has 41 squadrons, composed of 55,000 men and 1,496 aircraft, including 577 jet fighters or fighter/bombers and 65 jet light bombers. It hopes to expand to 45 squadrons in the next few years. The navy, with about 17,000 men, is seeking to acquire new capabilities but has the lowest claim on Indian resources.

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a like amount in credits. The Soviets have so far contributed mostly to the buildup of the Indian air force. Since 1961 the Soviets have committed over \$300 million in military assistance to India, about half of this in September 1964. They have promised or delivered a number of jet aircraft, transports, helicopters, air-to-air and surface-to-air missiles and have undertaken to assist India in establishing a MIG-21 assembly production complex. In its first major contribution to supporting the Indian army, the USSR has agreed to supply 93 amphibious tanks. Moscow has also apparently offered substantial assistance to the Indian navy, including submarines.

45. These moves are probably motivated not merely by a desire to build up Indian military potential against the Chinese, but also to increase Soviet influence on the Indian military, the Indian government, and Indian public opinion. The Indian government and public has accepted Soviet as well as Western military aid with enthusiasm. As aid is received, contacts between Soviet and Indian military personnel will increase sharply. However, most Indian naval and air force officers share their army colleagues' basic orientation towards the British and the West, and this attitude is unlikely to change significantly in the foreseeable future. Further, most Indian officers share the government's view that the friendship of both the USSR and the US should be sought as support in India's dispute with Peiping. Thus they will be reluctant to permit a dominantly influential role to either of the great powers. Rather, they will try to retain their own independence in the context of their continued pursuit of India's policy of nonalignment.

46. India presently produces only a small part of its defense needs—small arms, light artillery, trucks, and similar items—but plans to produce radar combat aircraft, and modern communications equipment by the late 1960's. A tank factory, still under construction, has already produced two prototype tanks. Defense needs probably will receive a higher priority than economic development. By 1969, nearly \$900 million is to be invested in defense production facilities. While it is unlikely that India's plan to be relatively self-sufficient in the production of military items by 1969 will be met, the total output of defense equipment will increase rapidly and provide India with a considerable defense production base.

#### Indian Military Capabilities

47. The combat effectiveness of India's armed forces is improving as a result of the military buildup and of the addition of modern arms. The officer corps is dedicated, and the morale of the services as a whole is high. Officers up through the division commander level have, as a result of the army's expansion, risen rapidly, and many lack the training and experience necessary for their new assignments. Officers at higher levels are generally qualified for their positions but lack experience in the command of large units. Indeed, the unwillingness of the government to spend money on large-scale maneuvers is limiting the improvement of the army's combat effectiveness. Further, the army as a whole is still un-

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familiar with the use of many of its new weapons. Despite considerable improvements, communications and logistic capabilities are still deficient, and military intelligence is in need of improvement. There are also indications that the Indian military leaders have only partially adapted their tactics and training to the problems of fighting in the Himalayas.

48. Even so, these flaws probably would not seriously weaken the combat effectiveness of the army in any conflict with Pakistan. The Pakistani army, while qualitatively superior to India's, is so much smaller (190,000 men) that it would probably be overwhelmed by an Indian offensive. At the least, the Indian army could successfully hold off any Pakistani assault, while at the same time engaging in a major conflict on the other front.

49. The Chinese present a more serious military threat. Over the past year the Chinese forces in Tibet and southwest Sinkiang have decreased to about 74,000 ground troops. However, with existing facilities, the Chinese could logistically support the employment of 153,000 ground troops and 175 aircraft (90 jet fighters, 25 jet light bombers, and 60 piston light bombers) from Western China. Against them, the Indians, without withdrawing any forces from the West Pakistan border, have available 330,000 combat troops. The Indians could also commit most of their air force, though they might once again refrain from doing so lest Communist China bomb Indian cities. In any conflict, the Chinese would initially have the terrain in their favor, being able to approach the mountainous frontier from the high plateau of Tibet, while the Indians must come up from the much lower plains of the subcontinent. Therefore the Chinese would almost certainly make initial gains, especially in NEFA, but as they approached the Himalayan foothills, their communications and logistic facilities would become strained, while comparable Indian problems would be eased. Under these conditions, we believe the Indian military would be capable of stopping the Chinese before they reached the plains of the subcontinent. In time, India will probably be able to conduct a somewhat more forward defense, but would not be able to prevent the Chinese from making initial gains.

#### Nuclear Affairs

50. India now has the technical and economic capability to develop nuclear weapons. It already has three research reactors in operation and plans to build three sizable power stations in the next four to eight years. It also has a plutonium separation plant. With existing facilities, India could probably produce and test a nuclear device in one to three years after a decision to do so. At modest cost, a weapon deliverable by the Indian Air Force's Canberra light bombers could probably be produced about two years after the first test, and a year or two thereafter India could produce about a dozen weapons in the 20 KT range. India's leaders have long opposed nuclear weapons on both practical and moral grounds. Since the October 1964 Chinese explosion of a nuclear device, the Indian Government has reaffirmed its intent not to produce nuclear weapons. It is concerned with the cost of a militarily significant

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nuclear weapons program and of an adequate delivery system, and fears that any reversal of its present policy would harm its international prestige.

51. However, there are internal pressures to reverse that decision. Significant elements of the press and the scientific community, as well as some politicians, have called for India to manufacture its own nuclear deterrent, and a few cabinet members have questioned the government's policy. We believe that at a minimum India will continue to build up its nuclear capability and this will enable it to start a weapons program promptly after a decision to do so. Whether the Indians decide to do so will depend on whether effective international controls are established, on the pace and scope of the Chinese program and the nature of Chinese policy, on future Sino-Soviet relations, and on the importance the Indians attach to assurances from the US and other nuclear powers.

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